CenturyLink™

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VIA ECFS

EX PARTE

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
Room TW-A325
445 12th Street, SW
Washington, DC 20554

RE: *Special Access Rates for Price Cap Local Exchange Carriers*, WC Docket No. 05-25, RM-10593; CenturyLink Operating Companies – Special Access and High Capacity Services Pricing Plans

Dear Ms. Dortch:

The CenturyLink Operating Companies (CLOC) offer a range of special access discount plans, providing customers with a variety of choices that reduce the cost of special access services they purchase from the CLOCs. These discount plans provide pro-competitive alternatives at lower prices for customers purchasing special access and high capacity services. The different special access and high capacity services are subject to varying degrees of pricing flexibility and, as outlined below, in the case of the CLOCs (including the newly acquired legacy Qwest entities), are also subject to different types of regulation by company.

Contrary to CLEC *ex partes* filed recently, these plans offer numerous options for consumers, are attractive to a wide variety of customers, and do not restrict customers' ability to obtain high-capacity services from CLOC competitors or from supplying the facilities themselves. The pricing plans are completely voluntary and provide a diverse assortment of terms and conditions to meet customers' ever-changing business needs.

Below is an overview of the discount plans available for special access purchasers from the various CLOCs.

1. Discount Plans for Legacy CenturyTel.

For legacy CenturyTel companies, DS1 and DS3 special access services, as well as other high capacity transmission services including OCn services and Ethernet services, are subject to Title II dominant carrier regulation and **have no pricing flexibility**. All of these products and services are offered pursuant to the publicly filed tariffed rates contained in CLOC Interstate Tariff s. Specifically, those tariffs are CLOC FCC #1, CLOC FCC #2, CLOC FCC#3, CLOC FCC #6, CLOC FCC #7, and CLOC FCC #8.

Customers can purchase high capacity circuits at a discount under generally available term plans contained in these tariffs. The terms range from three years to seven years with the larger discounts for longer terms. For example, the discounts range from 10% for a three year term to approximately 30% for a seven year term. These discount plans do not have a volume commitment and provide customers with the flexibility to subscribe to different terms depending on the customers' needs in a particular location or situation. The discounts, which are reflected as discounted rates on customer bills, apply to the CLOC standard tariffed rates and will vary by study area. Again, these discount term plans are voluntary and do not place any restrictions on the customers' ability to purchase high capacity services from another provider or to self-supply.

Three of legacy CenturyTel's small rural operating companies remain as Average Schedule Companies and the rates for their high capacity products and services are contained in the publicly filed NECA FCC #5 tariff. NECA #5 plans for the DS1, DS3 and SONET level services match the legacy CenturyTel provisions.

NECA FCC #5 also contains the terms for Ethernet Transport Service. The discount plan associated with this service provides discounts off the monthly tariffed rate ranging from 10% for a 36 month commitment to 20% for a 60 month commitment. These term plans have no minimum committed ports requirement. At the end of the term, the customer can subscribe to a new Ethernet Transport Service Term Discount Plan (ETS TDP) or revert to month-to-month rates found in the tariff. Customers also have the option to establish a new plan or replace/upgrade their ETS TDP with a Fixed Rate Option for 36 or 60 months. This will stabilize their rates for the 36 or 60 month term. Another available option is if the customer commits to purchase five or more ports, they are eligible for an additional 10% discount under an Ethernet Transport Service Volume Discount Plan.

These generally available discount plans contain a range of terms and conditions that are responsive to the needs of many different types of special access purchasers. Customers often participate in more than one of the generally available discount plans depending on their particular business needs.

2. Discount Plans for Legacy Embarq Companies.

The legacy Embarq CLOCs have varying degrees of pricing flexibility for high capacity services. In limited instances, the legacy Embarq CLOCs have Phase I pricing flexibility; in limited instances, the Company has Phase II pricing flexibility. Attachment A to this *ex parte* contains a matrix showing the areas where the legacy Embarq CLOCs have this limited pricing flexibility. However, for a majority of the MSAs in legacy Embarq CLOC territory, the Company has no pricing flexibility – with approximately 90% of wire centers still fully price regulated.

In the non-price flex areas, customers can purchase high capacity circuits at a month-to-month rate found in the publicly filed tariff, or they may purchase services pursuant to one of several term discount plans outlined in the tariff. These term discount plans range from three to five years with the larger discounts applying to longer term plans. Customers are provided the flexibility to decide up front how many circuits to include in the term plan at either a state or a national level and then, in exchange for the discounted rates (which are reflected as a discounted rate on customer bills), the customers agree to maintain at least 90% of their stated commitment for the term of the plan. Discounts range from 15% to 30% off the month-to-month tariffed rate, with the discount level depending on the length of the term.

These plans also include a ceiling of 130% of circuits in-service under the plan. Customers can add new circuits above the 130% commitment and still receive the discount on the additional circuits. However, once the circuit count exceeds 130% of the commitment, a 90 day notice is sent to the customer requesting the customer increase their commitment level. If the customer increases their commitment level, the discount continues. If the customer chooses not to increase their commitment level, the discount for circuits above the 130% commitment level will go to month-to-month rates on the 91st day after notice is sent. Customers also have the flexibility of upgrading services covered under this discount term plan with no termination liability charges.

This plan can be extended for up to one year upon expiration of the initial term. To provide the customer with a glide-path should they choose not to renew the plan, a 365-day grace period begins automatically after the plan expires before moving the customer back to month-to-month rates.

A second type of discount plan is the Premier Term Discount Plan, which is a five year, national discount plan. This discount plan was actually developed in 1999 by what was then Sprint and continues to be offered by what is now Embarq (the entity created when Sprint divested its local operations). This plan was developed in response to customer requests for a plan that provided greater discounts than the five-year term plan contained in the tariff if the customer was willing to commit under the plan all of the existing circuits they purchased from the Company. In addition, customers wanted to be able to take advantage of the greater discount on day one of any new circuit being installed. The Premier Plan contains both of those customer requested components. In exchange for additional discount, a volume commitment is required. Customers are asked to maintain 95% of a committed level of the special access services they purchase from the legacy Embarq CLOCs. Again, this is a voluntary discount plan and customers are not precluded from choosing one of the other available tariffed discount plans, from purchasing special access services from legacy Embarq competitors, or self supplying the circuits necessary to provide service to their customers. In turn, customers receive discounts on all eligible special access purchases from the legacy Embarq CLOCs that are covered under the plan. The discounted rates are reflected on customer bills. Eligible services include Digital Data Service, Fractional DS1 service, DS1 and DS3 private line services, STS1 and Multiplexing services. The plan is national, but requires state-specific commitment levels for network planning purposes. Commitment levels are based on DS1 equivalent circuits by states and are updated annually. Customers must maintain a threshold of 95% of their agreed-to state-specific commitment levels. If a customer falls below the threshold, shortfall penalties do apply. However, the customer is notified if there are any circuit shortfalls and the plan allows a 60 day grace period to rectify any shortfall. In addition, if the customer falls below 95% of their committed level of circuits for a period of six consecutive months, the legacy Embarq CLOC has the option of terminating the customer's term plan and assessing applicable termination liability charges. It is worth noting, however, that in the nearly 12 years this term discount plan has been on file with the FCC, the legacy Embarq CLOC has never exercised this option. As is the case with other discount plans, services can be upgraded with no termination liability charges. At the end of the plan, the customer has the option to renew for one year at their existing rates. If the customer chooses not to renew, there is a 365-day grace period before the customer is converted back to month-to-month rates.

A third generally available discount plan is the Revenue Volume Discount Plan (RVDP). This is a generally available volume discount plan that has a three-year term. This plan was developed to provide greater discounts (up to 50%) as revenues increase in exchange for the three year plan commitment. Customers receive a discount off the month-to-month rates for the services which include: DS1, DS3, STS1, Optipoint, SONET OC Ring (SOCR), Ethernet Transport, and Ethernet Virtual Private Line (EVPL). Customers also have the flexibility to upgrade an RVDP committed circuit to a higher speed or to upgrade a non-qualifying circuit (*e.g.*, DDS) to a qualifying circuit (*e.g.*, DS1).

Discounted elements include, but are not limited to: Channel terminations; channel mileage termination (CMT, fixed); channel mileage facility (CMF, per mile), and MUX. This plan provides the customer with the flexibility to achieve discounts on a recurring monthly revenue basis in lieu of making circuit volume commitments. The discount is based upon the total monthly recurring charges billed during each calendar month a customer remains on the plan. The discount is calculated by taking the monthly recurring revenue and comparing it to a discount table associated with various spending levels. The discount tables are found in CLOC FCC #9 at Page 7-425 - Section 7.5.17(A) and Page 22-203 - Section 22.5.17(A) (this is the Price Flex section of the tariff). The discount is calculated separately for each of the nine CLOC tariffed filing entities and is shown on the customer bill as a credit each month (one month in arrears.)

At the end of the three-year commitment period, the customer may extend their RVDP for up to a maximum of an additional 12 months at the rates, terms and conditions in effect at the time of extension period; or sign a new three-year RVDP; or remain on month-to-month rates without a discount applied.

For the areas where it has pricing flexibility, the legacy Embarq CLOC also offers negotiated contract tariffs. Generally, customers in contract tariffs are sophisticated buyers that request individualized discount plans. The ability to negotiate contract tariffs is an important competitive tool and enables the legacy Embarq CLOC to meet the ever-changing needs of customers in these markets. A description of the terms of these contract tariffs are contained in Section 24 of the legacy Embarq CLOC FCC #9. As examples, for some contract tariffs, customers negotiate for a flat rate on all of their special access purchases or for specific products in the covered areas where legacy Embarq CLOCs have obtained pricing flexibility rates. In other instances, customers negotiate for a percentage discount off of legacy Embarq CLOC's standard tariffed rates in covered areas where the Company has obtained pricing flexibility relief – rates that may vary by study area or rate zone. Terms of these contract tariffs are subject to Section 201's just and reasonableness standard and are available to any customer who satisfies the applicable eligibility criteria.

3. Discount Plans for Legacy Qwest.

The legacy Qwest CLOC also has varying degrees of pricing flexibility for high capacity services. In limited instances, the legacy Qwest CLOC has Phase I pricing flexibility and in even fewer areas, the Company has some Phase II pricing flexibility. Attachment A provides a listing of the areas where the legacy Qwest CLOC has this limited pricing flexibility.

However, a majority of legacy Qwest CLOC territory is still price regulated (no pricing flexibility). Approximately 64% of legacy Qwest wire centers are still price regulated for Transport and 80% of the wire centers are still price regulated for Channel Terminations. For these areas, customers can purchase high capacity circuits at a month-to-month rate found in the publicly filed tariff (FCC #1) or they may purchase pursuant to one of the term plans outlined in that tariff. These term plans range from one year to five years with the larger discounts applying to longer term plans. The discounts range from 3% to 38% off the month-to-month tariffed rate and do not have a volume commitment. These plans provide customers with the flexibility to subscribe to different terms for each circuit, depending on the customers' needs in a particular location or situation.

The legacy Qwest CLOC also offers a Regional Commitment Plan (RCP). This generally available discount plan has a four year term and provides for a 22% discount off the month-to-month tariffed rates for DS1 and DS3 circuits. The RCP gives customers the flexibility of adding or subtracting facilities throughout the legacy Qwest territory as their business needs require without incurring termination charges, provided that the applicable minimum period requirement and revenue commitment are satisfied. This plan allows customers to disconnect circuits in areas where they are building out facilities, and add new circuits in areas where they may not yet have facilities. As with other CLOC plans discussed above, in exchange for the discounted rates received, the RCP does require a customer commitment to maintain a threshold percentage of the special access purchases they make from legacy Qwest. Customers can, and do, also purchase special access services from competitors of legacy Qwest, and in many instances also self-supply the facilities necessary to provide service to their customers.

In addition, after an RCP is established, customers have the option of migrating DS1s currently under an RCP to a fixed term contract. To facilitate moves to a fixed term plan, legacy Qwest agrees to waive the RCP termination liability when the DS1s are moved to a fixed term contract. The RCP also contains an "exit provision" that enables customers to ultimately migrate DS1s to new fiber-based technologies, *e.g.*, SNET, Ethernet. CLEC customers are also allowed to retain their UNE services as a vehicle for providing service to their end user customers.

For the limited areas where legacy Qwest CLOC has pricing flexibility, the Company offers multiple discount opportunities. Overlay plans, which are an example of one type of contract tariffs legacy Qwest makes available, provide for discounts in addition to the RCP discounts, in exchange for increased revenue commitments on the part of the customer. Contracts reflecting the terms of these overlay plans, as well as other contract tariffs are on file in Section 24 of legacy Qwest's FCC #1 tariff. Summaries for over 300 of these contract tariffs are on file with the FCC. Discounts for these contract tariffs are reflected as credits on customer bills a month in arrears.

4. Forborne Services.

For services for which legacy Qwest received forbearance in August 2008, and legacy Embarq received, to a lesser extent in late 2007, the pricing flexibility afforded these services allows the companies to respond in a more meaningful way to each customer's situation and business needs. For example, in recent competitive bids for wireless backhaul facilities, some carriers wanted city-specific pricing while other customers wanted a region-wide rate. City and region-specific pricing flexibility is critical to remain competitive with deregulated competitors. For some contracts, the customers negotiate a flat rate for products and services covered by the forbearance grant. Under these contracts, customers pay the same rate for all rate zones and study areas in which the covered circuits are located. In other cases, customers negotiated for a percentage discount off of legacy Qwest's and legacy Embarq's tariffed rates.

Under this same flexibility, legacy Qwest also offers a fiber-based, Ethernet backhaul service designed for wireless service providers. By building on the fiber-to-the-node deployment, Qwest Mobile Ethernet Backhaul offering extends fiber to cellular towers to help wireless service providers increase the bandwidth and quality of service provided to end users, and meet the increasing demands of next-generation mobile technologies such as smart phones, laptops, netbooks and other bandwidth-demanding devices. The service provides incremental, scalable bandwidth to wireless service providers, enabling them to increase capacity to cell towers on an as-needed basis. Fiber-to-the-Cell contracts have terms ranging from 6-8 years and provide custom-built solutions for each customer, since each customer wants something slightly different.

In summary, consumers of special access services provided by CenturyLink have a wide range of special access pricing plans to choose from. The special access market is highly competitive and in many instances the CenturyLink Operating Companies have limited pricing flexibility. Even so, the company is responsive to the needs of special access customers and is constantly innovating its service offerings in a very competitive market. The plans outlined above demonstrate the flexible, competitive options available to the wide array of customers that purchase those services. The Commission should continue to reject arguments that new, additional regulation on ILEC special access discount plans and pricing is warranted. Additional pricing and contract flexibility could provide customer benefit as such flexibility would enable the CenturyLink Operating Companies to respond more quickly to the changing needs of customers in the highly competitive special access marketplace.

Pursuant to Section 1.1206(b) of the Commission's rules, a copy of this notice is being filed in each of the above-referenced dockets.

Very truly yours,

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ATTACHMENT A

Price Flex MSAs – Legacy Qwest

MSA	Level of Price Flex – Chan Terms	Level of Price Flex – All Other
ARIZONA		
Phoenix- Mesa	Phase II	Phase II
Tucson	Phase I	Phase II
COLORADO		
Colorado Springs	Phase II	Phase II
Denver-Boulder	Phase I	Phase II
Fort Collins-Loveland	Phase I	Phase I
Greeley	None	Phase I
Pueblo	Phase I	Phase II
IDAHO		
Boise City	Phase II	Phase II
IOWA		
Cedar Rapids	None	Phase II
Davenport-Moline-Rock Island	Phase II	Phase II
Des Moines	Phase II	Phase II
Dubuque	Phase II	Phase II
Iowa City	Phase II	Phase II
Sioux City	Phase I	Phase II
Waterloo-Cedar Falls	Phase I	Phase II
NEBRASKA		
Omaha	Phase II	Phase II
NORTH DAKOTA		
Fargo-Moorhead	Phase II	Phase II
MINNESOTA		
Minneapolis-St. Paul	Phase I	Phase II
Rochester	Phase II	Phase II
St. Cloud	Phase II	Phase II
NEW MEXICO		
Albuquerque	Phase II	Phase II
OREGON		
Eugene-Springfield	Phase II	Phase II
Medford-Ashland	Phase II	Phase II
Portland-Vancouver	Phase II	Phase II
Salem	Phase I	Phase II
UTAH		
Provo-Orem	Phase I	Phase II
Salt Lake City-Ogden	Phase II	Phase II
WASHINGTON		
Bellingham	Phase II	Phase II
Olympia	Phase II	Phase II
Seattle-Bellevue-Everett	Phase I	Phase II
Spokane	Phase II	Phase II
Tacoma	Phase I	Phase II

Yakima	Phase II	Phase II

** *Legacy Qwest has no pricing flexibility MSAs in Montana, South Dakota or Wyoming*

PRICE FLEX MSAs - LEGACY EMBARQ

MSA	Level of Price Flex – Chan Terms	Level of Price Flex – All Other
FLORIDA		
Fort Myers – Cape Coral	None	Phase I
Fort Walton Beach – Crestview	None	Phase I
Ocala	Phase I	Phase I
Tallahassee	Phase II	Phase II
Orlando	Phase II	Phase II
NORTH CAROLINA		
Fayetteville	Phase II	Phase II
Greenville	Phase II	Phase II
Hickory	Phase II	Phase II
Rocky Mount	Phase II	Phase II
NEW JERSEY		
Middlesex-Somerset-Hunterdon	None	Phase I
NEVADA		
Las Vegas	Phase II	Phase II
OHIO		
Lima	Phase II	Phase II
Mansfield	None	Phase I
PENNSYLVANIA		
Harrisburg	Phase I	Phase I
Pittsburgh	Phase I	Phase I
York	Phase II	Phase II
TENNESSEE/VIRGINIA		
Johnson City-Kingsport-Bristol	None	Phase I
TEXAS		
Dallas	Phase I	Phase I
VIRGINIA		
Charlottesville	Phase II	Phase II